

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-03

SP-02 SS-15 STR-04 TRSE-00 FRB-03 PA-01 USIA-06

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FM AMCONSUL RIO DE JANEIRO

TO SECSTATE WASHDC 2431

INFO AMEMBASSY ASUNCION

AMEMBASSY BRASILIA

AMCONSUL SAO PAULO

LIMITED OFFICIAL USE RIO DE JANEIRO 1263

E.O. 11652: N/A

TAGS: ENRG, BR

SUBJECT: ITAIPU HYDROELECTRIC PROJECT

REFHBSKA) RIO A-25, APRIL 7 1975 (?) A-32, APRIL 12 1975

1. ITAIPU BINATIONAL DIRECTOR GENERAL, JOSE COSTA CAVALCANTI, WAS REPORTED BY THE PRESS TO HAVE ANNOUNCED IN SAO PAULO APRIL 206#

THAT WORK ON DIVERSION CHANNEL WILL BEGIN IN AUGUST OF THIS YEAR, RATHER THAN IN JUNE AS PREVIOUSLY ANNOUNCED. DELAY CAUSED BY TECHNICAL PROBLEMS ARISING FROM SIGNING CONTRACT WITH CONSORTIUM OF CONSTRUCTION FIRMS SELECTED TO DIG DIVERSION CHANNEL. THESE FIRMS IDENTIFIED IN PRESS AS CAMARGO CORREA, MENDES JUNIOR, CETENCO, CEPO AND ANDRADE GUTIERREZ. ALL APPARENTLY HAVE ASSOCIATE FIRMS IN PARAGUAY. COSTA CAVAL-
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CANTI ALSO REPORTED TO HAVE SAID DIVERSION CHANNEL

WILL TAKE THREE YEARS TO DIG AT COST OF APPROXIMATELY
CR\$250 MILLION.

2. WORK ON CONSTRUCTION CAMP APPEARS TO BE ON
SCHEDULE. ARTICLE INDICATES THAT FIRST HOUSE AT
SITE FOR ITaipu STAFF ALREADY BUILT. COSTA CAVAL-
CANTI INDICATED THAT FIRST OF 1300 HOUSES TO BE BUILT
AT FOZ DO IGUACU WILL BE READY IN AUGUST.

3. ARTICLE ALSO STATES THAT ITaipu BINATIONAL
WILL SIGN CONTRACTS IN JUNE WITH THREE BRAZILIAN
ENGINEERING FIRMS SELECTED FOR CERTAIN DESIGN AND
ENGINEERING SERVICES FOR THE DAM PROJECT. THESE
FIRMS ARE IDENTIFIED AS THEMAG, PROMON AND ENGEVIX.
(WE UNDERSTAND FROM IECO-ELC ENGINEERING CORR DINATING
GROUP FOR ITaipu THAT ENGEVIX HAS INDEED REPLACED HIDRO-
SERVICE AS ONE OF SUB-CONTRACTING ENGINEERS FOR ITaipu
(SEE REF AIR A). IT APPEARS THAT HIDROSERVICE INSISTED ON
LARGER SHARE OF WORK AND, WHEN THIS WAS NOT FORTHCOMING,
WITHDREW FROM PROJECT. ENGEVIX HAS BEEN AWARDED DESIGN AND
ENGINEERING FOR SPILLWAYS. WORK FOR NAVIGATION LOCKS NOT
AWARDED AND MAY STILL GO TO HYDROSERVICE, IF FIRM CHANGES
PRESENT ATTITUDE.

4. DURING CALL BY GE REPRESENTATIVES ON MINISTE UEKI,
MINISTER IS ALLEGED TO HAVE BROACHED IDEA OF REDUCING SIZE
OF TURBINE/GENERATORS TO 350 MW AND DOUBLE NUMBER IN ORDER
INCREASE LOCAL CONTENT. OUR CONTACTS AT IECO-ELC AND ITaipu
BINATIONAL INDICATE SUCH A PLAN WOULD ALMOST REQUIRE TWO
POWER HOUSES, THEREBY GROSSLY INFLATING COST OF DAM. NOT
MUCH CHANCE THIS IDEA PROGRESSING FURTHER.

5. CONVERSATIONS WITH ITaipu BINATIONAL CO.OFFICIALS
AND TRADE CONTACTS INDICATE RUSSIANS STILL DESIRE TO FURNISH
TURBINES AND GENERATORS FOR DAM PROJECT. HOWEVER, LACK OF
PRODUCTION FACILITIES TO BRAZIL APPEARS TO PLACE RUSSIANS AT
DISADVANTAGE. GIVEN DESIRE OF BRAZILIAN INDUSTRY TO FURNISH
EQUIPMENT TO ITaipu AND CONSEQUENT PRESSURES ON GOB, THERE
APPEARS LITTLE LIKELIHOOD THAT TURBINES AND GENERATORS WOULD
BE IMPORTED FROM ABROAD. CONSEQUENTLY, RUSSIANS HAVE AP-
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PARENTLY RESIGNED THEMSELVES TO OPERATE WITHIN CONSORTIUM
CONSISTING MAINLY OF EUROPEAN FIRMS. MOREOVER, GEN.JOSE
COSTA CAVALCANTI, ITaipu DIRECTOR GENERAL, CONFIRMS THAT
PARAGUAYANS REMAIN OPPOSED TO RUSSIAN PARTICIPATION.

6. TRADE CONTACTS BELIEVE RUSSIAN INTEREST MAY WANE AS
RESULT OF ABOVE DEVELOPMENTS. POLICY OF MAXIMIZING DOMESTIC
INPUT COULD MEAN AS MUCH AS 60 PERCENT OF TURBINES/GENERA-

TORS WOULD BE PRODUCED LOCALLY. SUCH DOMESTIC PRODUCTION
WOULD FIT IN WELL WITH ORDER CONSORTIUM MEMBERS HAVING
PLANTS IN BRAZIL. HOWEVER, IT WOULD LEAVE LITTLE WORK FOR
RUSSIANS TO DO.
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